
Policy Disputes Information Consortium
April 26, 2003
Montreal, PQ, Canada

Ron Knutson
Rene Ochoa
Texas A&M University
Purpose

To update, quantify, and draw conclusions as to whether progress has been made toward harmonization of policies among the NAFTA countries since the 2001 assessment/taxonomy
Conclusions in Brief

• One has to look hard to find examples of convergence of policies

• Recognize that there is no mechanism to obtain convergence under NAFTA
Main Areas of Conflict Identified in 2001

Policies that facilitate growth and progress (infrastructure & trade policy)

• Grades and Standards
  - Grain (US – CA)
  - Beef (US – CA)

• Trade Policy
  - Dairy (US – CA)
  - Poultry (US – CA)
  - Sugar (US – MX)
  - Wheat (US – CA)

• Infrastructure (US – MX)
Main Areas of Conflict
Identified in 2001

Regulatory Policies
• Plant and animal protection (US – MX)
• Food Safety (US – MX)
• Pesticides (US – MX – CA)
Main Areas of Conflict Identified in 2001

Market intervention
- Disaster assistance (US-CA-MX)
- Price supports and safety nets (US-CA-MX)
- Supply management (US-CA)
- State trading (US-CA-MX)
Criteria for Convergence

• Requires movement toward uniform policy, not necessarily the same program
  - Policy is a guiding principle leading to a course of action that is pursued by government
  - Programs implement policy - more than one way to cook a steak
Producer Subsidy Equivalent*  
(1995-2001)

- Aggregate
  - CA 17 (stable)
  - MX 19 (increased)
  - US 21 (increased)

*Producer Support Estimate by OECD
Commodity PSE Devil in Details

- Field crops (higher in US, MX)
- Milk (comparable)

• Reversion to pre-1996 policies
  ➢ Except did not reinstate production controls
  ➢ Did reinstate target price
• Made disaster payment for “underinsured” farmers
• Added income supported commodities (mainly competitive with CA)
• Added green box conservation and environment programs

- Consolidation of safety net support base into NISA program

- $5.2 B commitment over 5 years for unspecified uses

- Agrifood Armored Plate Program to counter balance 2002 U.S. Farm Bill
  - Multiyear income support commitment which are mostly direct payments with heavy targeting to small farmers
  - Alliance for Agriculture: federal/state cost sharing for research, infrastructure, animal and plant protection

- Subsidies for energy
- Restructure credit
- Increased use of anti-dumping, countervailing duty, and licensing
Evaluation for Conflict Areas

Facilitate growth and progress (infrastructure & trade policy)

- **MX**  
  + Infrastructure under Alliance for Agriculture
  - Trade remedy law threats/use in hogs, sweeteners, and dried beans

- **US**  
  - COOL

- **CA**  
  No change
Evaluation for Conflict Areas

Regulation

- **US** - CAFO
- **MX** + HACCP
  + Animal and plant protection
- **CA** No change
Evaluation for Conflict Areas

Market intervention

- **US**
  - Target price reinstated
  - Expanded commodity coverage

- **MX**
  - Match US support

- **CA**
  - Unspecified standby support (assumed intervention)
Implications

• Policy convergence key to:
  - Resolution of trade disputes
  - Integration of markets

• Scorecard indicates more negative than positive policy-convergence indicators

• Future potential for policy convergence:
  - Enhanced by WTO proposals for increased market access, reduced domestic support, and elimination of blue box
  - NAFTA lacks mechanism (other than WTO) for convergence